Canadian Centre
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de la politique étrangère

TRADE IN THE AMERICAS ROUNDTABLE REPORT: IDENTIFYING PRACTICES, MECHANISMS AND CONSTRAINTS

Dawn McLean and Margaret Argue
British Columbia Council for International Cooperation

April 6, 2001
Vancouver, British Columbia

8006.6E

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REPORT FROM THE ROUNDTABLE ON TRADE IN THE AMERICAS:

IDENTIFYING PRACTICES, MECHANISMS AND CONSTRAINTS THAT SUPPORT OR HINDER THE THREE PRINCIPLES ACCEPTED BY THE PARTIES

- ***Strengthening democracy***
- ***Eradicating poverty and discrimination***
- ***Guaranteeing sustainable development***

April 6, 2001
Vancouver, British Columbia

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REPORT:Roundtable on Canada and Trade in the Americas

Identifying Practices that Support the Outlined Principles of the Free Trade Area of the Americas draft agreement

April 6, 2001
Vancouver, British Columbia

On April 6, 2001, the British Columbia Council for International Cooperation (BCCIC) organized a roundtable discussion on Canada and the Free Trade Area of the Americas (FTAA). Just weeks away from the Summit of the Americas hosted by Canada in Quebec City, this was a timely and important piece in the growing dialogue around the FTAA. Representatives from different sectors within civil society and government came together at Simon Fraser University at Harbourside in downtown Vancouver to discuss trade agreements and the integration of the global economy. They wrestled with ways the FTAA supports or constrains the three fundamental principles of "strengthening democracy, eradicating poverty and guaranteeing sustainable development" introduced at the Miami Conference in 1994. Lawyers, students, academics, non-governmental organizations involved in humanitarian and sustainable development, seniors, labour leaders, municipal and provincial government representatives, community activists, the Vancouver Board of Trade, cooperatives and socially responsible businesses were heard during the roundtable. Some thought trade agreements should be banned and others had ideas for reforming what presently exists. The following account is a summary report of themes, concerns and issues raised during the introductory panel, small group discussions and final plenary session.

PREPARATION AND SETTING THE CONTEXT:

In order to prepare participants for the roundtable discussions several advance documents were distributed as part of the agenda package. These documents included: A speech on the FTAA by Pierre Pettigrew, Minister for International Trade; a summary of "Inside the Fortress: What's Going on at the FTAA Negotiations" by Marc Lee, Canadian Centre for Policy Alternatives; and "Canada and the FTAA: the Hemispheric Bloc Temptation" by Jean Daudelin and Mareen Molot of the North-South Institute and the Norman Patterson School for International Affairs. Copies of these documents are attached with this report (see Appendix IV).

The objective of the roundtable was to discuss the kinds of policies the federal government should be pursuing in order to promote the three fundamental principles of "strengthening democracy, eradicating poverty and guaranteeing sustainable development". This was an opportunity to put forward concerns and issues from western Canada, identify some policy options and new ideas from civil society and emphasize cross-cutting and key themes. The results will be sent to the Canadian Centre for Foreign Policy Development based at the Department of Foreign Affairs and International Trade in Ottawa.

To set the context and stimulate discussion at the roundtable, four panelists made presentations on topics such as the history of free trade, the current status of free trade discussions, issues of concern to the provincial government and the impact of free trade on Latin America and those at the community level.

Marc Lee, research economist with the Canadian Centre for Policy Alternatives (BC office) gave an overview of how free trade has been arrived at as of today and outlined some of the major issues confronting the current negotiations. Nine negotiating groups, whose work has mainly been accomplished by civil servants, have been meeting regularly since 1998. The FTAA draft text to date is heavily bracketed and civil society and the general public has not had access to the content of the negotiations. The upcoming Quebec Summit will provide a high level endorsement to a very complex trade agreement. Marc Lee explained the current discussions have given more power and privilege to business and corporations, especially in such areas as intellectual property rights, and that citizens haven't had an opportunity to express or make their own choices during this process.

The FTAA is not a sure thing. Several countries in Latin America, including Brazil, are lukewarm. "Fast tracking" in the United States is important before countries are comfortable trading with the US. There are internal problems in the USA over intellectual property rights. Canada has been a champion of the FTAA although it isn't clear why as Canada hasn't too much to gain from increased trade with Latin America. The crucial matter for Canada is that Canada does 86 % of its' trade with the United States. The USA has made it clear their trade laws are not part of any negotiations. Canada in turn has been distancing itself on any contentious issues, such as dispute settlement and intellectual property rights. In conclusion, Marc Lee said the FTAA embodies the worst aspects of the WTO, disarms citizens and should be rejected because it is undemocratic.

Paul Mably, international trade advisor with the British Columbia Ministry of Employment and Investment, has been deeply involved in the FTAA agreement in his position with the BC government. He outlined the three major sticking points to which the provincial government objects to in the proposed agreements. These are:

- **Coverage of all levels of government** (national, provincial/territorial and local). Although the different levels of governments in Canada talk to each other during trade negotiations, the federal government is the only player at the negotiating table. This is problematic because provincial and municipal governments, institutions and others in Canada are impacted by free trade agreements but currently don't have a voice at the negotiating table.

- **Potential impact on public health and education.** Health and education need an airtight agreement where language is not unclear and open to legal technicalities and tinkering.

- **The investor-state dispute resolution mechanism.** If private companies can sue governments for violations of agreements on investment and only international law, not domestic, is used, then this is a closed process which is tantamount to expropriation.

Paul Mably confirmed the BC government supports increased trade and investment, which strengthens the public's well being. However, an open and transparent process must be a condition of negotiating trade agreements. Although the Canadian government supports a modified investor-state mechanism, British Columbia does not support having an investor-state dispute resolution. In conclusion he said the FTAA should have a complete carve-out for health, education, social services and culture, the BC government should be at the table to sign any agreements that impact on provincial jurisdiction and the Province reserves the right to implement in these provincial areas.

Wilder Robles (PhD candidate), a political scientist at Langara College who has expertise in international development and Latin American politics, gave an overview of the growing impact of globalization on the poor in Latin America. He began by outlining the problems facing the region. Latin America is entering the 21st Century confronting severe social, political, economic, cultural and ecological insecurity. The region remains one of the most unequal societies in the world where more than 240 million people are living in absolute poverty. These people are unlikely to become 'potential' consumers in the short or long run. The transition to democracy has not led to fundamental changes in the structures of power within society and globalization of market relations is exacerbating human suffering and environmental destruction and contributing to increasing social marginalisation and poverty in the region.

It is important to transform economics and politics in Latin America and effect democratic change at all levels. Democratization must be the starting point in the struggle for global human and environmental security. Globalization may be unstoppable but it is making more and more people uncomfortable. Alternative models of social change are steps to solving these increasing problems. A radical concept of democracy for changing relations in the private and public spheres of human life is needed. There are grassroots movements in Latin American today responding to this challenge such as the Landless Peasant Movement (MST) in Brazil. Free or fair trade agreements that lack social ethics such as justice are unlikely to be sustainable in the short or long run. Mr. Wilder concluded by saying agreements such as the FTAA will not solve the marginal and social exclusion of the poor in Latin America. He leaves this motto: "maintenir la solidarité, réduire la dépendance, agrandir la réciprocité"

Lee Bensted, Program Director at Co-Development Canada, a development NGO working in Central and Latin America spoke, accompanied by a slide presentation, about how free trade has impacted grass roots communities within the region. She gave an overview of the failed free trade zones (FTZ) set up in the 1970s and the brutal campaigns of terror in Central America during the 1980s. During the past 15 years neo-liberal economic reforms and resulting economic integration have changed the economic and physical landscape of the region. Economic restructuring is largely driven by SAPs (Structural Adjustment Programs) designed to eliminate debt and stimulate economic growth by promoting FTZs (special zones to manufacture export goods) but with few spin-offs to the local economy. Today, 90% of exports from FTZs in Central America go to the United States. 75% of the workers in FTZs are women.

Lee Bensted then linked trade agreements to the Maquila factories and workers in Central America. She showed how structural adjustment programs were directly linked to increasing poverty in the region – especially amongst women, children, indigenous groups and the elderly. Trade liberalization policies, like those tied to structural adjustment and found in the FTAA, have increased poverty and forced people, especially young women, into insecure, poorly paid or unsafe work. Agricultural policies found in trade agreements have destroyed agricultural livelihoods and increased the workload of women and children as men migrate to find work. Infrequent compliance to laws has resulted in lack of respect for or enforcement of international human rights, labour and environmental laws. She traced ways people in the South are organizing and pressuring for changes. In 1997 thousands of women were involved in drafting a code of ethics (see Appendix IV) which included the principles of economic, labour, individual and political rights. Their struggle for dignity, safety and fair wages continues.

EMERGING THEMES AND KEY POINTS:

Themes emerging during the panel presentations included the need for a fundamental shift in the ideology driving the trade agenda and that negotiations of international trade agreements should be open, transparent and inclusive of those who are impacted by, or required to implement, these trade policies.

During the afternoon session participants were tasked in small groups to identify ideas, policy options and ways the Canadian government could promote the three principles of democracy, sustainability and poverty reduction. The following are some of the key points supported by roundtable participants:

Strengthening of Democracy: ***"raise the floor – to a higher standard of democracy"***

Re-think and restructure trade negotiation processes and conflict resolution practices: There needs to be a re-thinking of how trade negotiations currently take place. Ideas to change, improve and include democratic principles need to be introduced to the existing trade negotiating structures. Dispute resolution in the FTAA is essentially voluntary compliance and lacks the teeth to be taken seriously. It needs a new structure. Studying Canadian courts and Canadian organizations that specialize in skills training in conflict resolution could improve dispute resolution. Any interpretation through dispute resolution should be guided by the language of civil society values such as respect, fairness, justice and accountability.

Transparent, Participatory and Inclusive: Trade negotiations should be open and consultative and provide opportunities for civil society, not just business, to be heard. Information should be available to the broader public – especially to those who wish to discuss issues in more depth and who need more time for analysis and deeper study to develop alternatives and ideas.

Access and Control: Municipal, provincial and federal governments should retain their autonomy rather than moving to greater control of the global agenda by corporations. There should be public control of economies and devolution of powers to municipalities to look after themselves and have the final say on issues that impact the

community level of society. Provincial governments should have more say at the table in the negotiations, especially over issues such as health and education.

Media and Democracy The media coverage of the FTAA has been primarily focussed on pending protests rather than providing news and information and analysis of the trade agreement and the changes and impacts to Canadians. It was suggested that by limiting monopoly control over the media would mean more critical questions about the impact of market expansions on countries and citizens would be investigated. It was noted that there is a thriving civil society in Latin America despite the strong military presence and that Latin America is not as undemocratic as often portrayed by the media.

Sustainability:

Incentives: Countries should be given incentives to improve their democratic and sustainable practices. There should be incentives to have improved labor laws and working conditions, rather than punishments. The theme of incentives was a crosscutting issue for the three principles of democracy, sustainability and poverty reduction.

***Local Autonomy*:** Domestic governments should maintain their own regulatory practices in any rules-based trading agreement.

Research and Development: There should be support to prepare alternative analysis and research on global issues and trading agreements. Support to civil society groups – academics, NGOs and others who want to analyze and develop alternative models and options.

***Cultural Sustainability*:** Sustainability over trade was a clear message. Intellectual property rights protection over folklore, traditional knowledge and genetic resources were strongly articulated by participants.

Poverty Reduction:

Debt Relief: Providing debt relief to Latin America countries was seen as the most important step in reducing poverty. Countries should be given incentives to eradicate poverty and improve such basic needs as health and education. Lower tariff barriers would encourage trade, especially in textiles and agriculture. Development assistance should be appropriate and it should be assured that it is the poor which receives this assistance.

Principles and Values: Trade agreements should reflect and entrench the goal of eradicating poverty and be guided by values of civil society. Human security should be a fundamental principle in the agreements. Food security, water, housing and other basic needs should be specifically reflected in the language of the agreements. The right to collective bargaining and international (ILO) standards can not be separated – these should be international principles entrenched in trade agreements.

Hemispheric minimum wage: A minimum wage, tied to the cost of living, should be introduced throughout the hemisphere. This minimum wage would be contextually appropriate to individual countries.

CROSS-CUTTING ISSUES:

1. **A Broader Understanding of Democracy:**
   The definition and understanding of democracy was a fundamental issue surfacing and repeating during the roundtable. The question seemed to crystallize as to whether politicians, assisted by those employed by governments, are elected to make decisions for citizens on such important agreements as the FTAA or does the democratic process continue after elections with citizen input and participation? Transparency, access to information by the public, more and better public consultation, and broader participation by stakeholders

in the negotiating process are democratic practices. If these negotiations are not seen as democratic within Canada, then how can Canada promote and encourage democratic development elsewhere in the world?

2. **Security of the Individual:** The security of the individual is essential. Individual rights to basic needs such as water, food, housing, health, education and fair labor rules and working conditions should be protected in trade agreements. Respect and dignity for the individual are Canadian values and should be front and center in trade negotiations involving Canada.

3. **Sustainability and Incentives:** Providing incentives to countries as encouragement to follow suit in eradicating poverty was seen as the preferred way. Countries should be stimulated to follow better labor laws and provide fair and healthy conditions for working people. Incentives, not sanctions were seen as methods to protect intellectual property rights and raise and strengthen environmental standards.

4. **Participation and Consultation:** Access to information and participation in discussions during trade negotiations was clearly articulated at the roundtable. Canada has some good models for participation and consultation with civil society. This experience should be shared and followed during the trade negotiations.

5. **Good Governance, Human Rights and Individual Security:** Any rules-based trade agreement must respect human rights, good governance, and security of the individual. The "democracy clause" needs sound wording and proper ways of implementing that are clear and enforceable. This clause, although little is known about it by civil society, should be more about content and not just process.

CONCLUDING REMARKS

Dale Albertson, Past Chair of the British Columbia Council for International Cooperation (BCCIC) provided concluding comments during the wrap up of the roundtable. Each sector represented in these discussions echoed themes of transparency, public participation and a need for a broader understanding of democracy. Meeting basic human needs through debt relief, considering the Tobin tax and agreeing to an international minimum wage contextualized to individual countries were seen as essential to poverty alleviation. Intellectual property rights must be protected to promote sustainability.

In a globalized world that is instantly linked, media coverage that questions the current status of trade agreements and informs the public on serious debate has been disappointing. There has been more coverage of preparations for protest at the upcoming Summit of the Americas than the actual content and implications of the FTAA. Canada, through the federal government, has been very enthusiastic about the FTAA. This enthusiasm is not clear to all Canadians. This eagerness is intertwined with an on going and evolving Canada-United States relationship where politics seem to have been subjugated to economics. The FTAA is not necessarily a sure thing. There are countries in Latin America such as Brazil who have reservations about the FTAA and its long-term impact on their region.

Although the FTAA is a flawed process, participants were encouraged to continue dialogue about free trade agreements on a personal level and in their communities. These are complex issues that need more in depth analysis and further work to develop solutions in areas discussed at this roundtable. Civil society needs to do more work on what "a citizen's agenda for trade looks like". The FTAA deadline is 2005. Civil society groups and provincial and municipal governments need to work hard over the next years to ensure the FTAA respects democracy, human rights and security and doesn't just "express good intentions about poverty alleviation."

The roundtable concluded with thanks to the Canadian Centre for Foreign Policy Development, John Holmes Fund, for supporting this initiative and to the participants, organizers, facilitators and recorders for their invaluable contributions to these foreign policy discussions.

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Jennifer Davison, UVic MA Student Victoria	Recorder
Lorena Jara, SFU MA student, Vancouver	Recorder
Sonja Killoran-McKibbin, SFU MA Student Coquitlam	Recorder

APPENDIX II: AGENDA for BCCIC's Roundtable on the FTAA

9:00 - 9:30	Coffee and muffins
9:30 - 10:00	Welcome and Introductions
10:00 - 12:00	Presentations Marc, Lee, Economist, Canadian Centre for Policy alternatives
	Paul Mably, Policy Analyst, Ministry of Employment and Investment (BC)
Break	
	Wilder Robles, Instructor, Latin American Studies, Langara College
	Lee Bensted, CoDevelopment Canada
12:00 - 12:30	Small Group Discussion: "Sectoral Perspective Review"
12:30 - 1:15	Lunch
1:15 - 2:45	Small Group Discussion: Policy Advice from the West to the East
2:45 - 3:00	Break
3:00 – 3:45	Report back / Discussion / Final Comments
3:45 - 4:00	Wrap up and Review

APPENDIX III: LETTER OF INVITATION

March 29, 2001

Name
Position
Organization
Address
City, BC Postal Code

Dear ,

Thank you so much for agreeing to join the British Columbia Council for International Cooperation's Roundtable on the Free Trade Area of the Americas (FTAA). The Roundtable will be held on Friday, April 6 in the Segal Room at SFU Harbour Centre (515 West Hastings Street).

Please join us at 9 AM for coffee and muffins; this will give you a chance to meet the other participants in the Roundtable. We will get started at 9:30 AM sharp, and end at 4:00 PM.

We are very pleased that people representing a wide variety of sectors and perspectives have agreed to bring their voices to the table. As there will be no more than 40 people present, there will be plenty of opportunity to share ideas and learn together.

We have enclosed three short readings from a range of perspectives for you to take a look at in advance of the Roundtable:

1. A speech by Pierre Pettigrew, Minister for International Trade, on the FTAA
2. The summary of 'Inside the Fortress: What's Going on at the FTAA Negotiations' by Marc Lee of the Canadian Centre for Policy Alternatives
3. 'Canada and the FTAA: the Hemispheric Bloc Temptation' by Jean Daudelin and Maureen Appel Molot of the North South Institute and Norman Patterson School for International Affairs.

Before coming to the Roundtable, we ask that you review these readings and think about how trade agreements, and the integration into the global economy in general, have affected your sector. If you have time, it would be very helpful if you could jot your thoughts down in a paragraph to give to the rapporteur.

At the first FTAA meeting in Miami in 1994, we were told that the FTAA would 'strengthen democracy, eradicate poverty and guarantee sustainable development.' This roundtable gives you the chance to discuss the kinds of policies you think the Government of Canada should be pursuing in order to promote these three fundamental principles. You do not need to be a trade expert to do so; the experience and perspective of your sector is invaluable. The recommendations made in this Roundtable will be sent to the Canadian Centre for Foreign Policy Development, who have funded the roundtable.

If you have any questions, please do not hesitate to contact me, Jessie Smith, at (604) 2544-4409 9r rain@web.net.

Sincerely,

Jessie Smith
Roundtable Coordinator

APPENDIX IV:
PREPARATORY READINGS AND NICARAGUAN CODE OF ETHICS

A) Code of Ethics, Ministry of Labour, Nicaragua. February 1998 – reprinted with permission from **Women and the Maquila in Central America.** Lee Bensted, CoDevelopment Canada, Vancouver, BC. May 1999.

B) Preparatory Readings

i. A speech by Pierre Pettigrew, Minister for International Trade, on the FTAA. June 2000

ii. 'Canada and the FTAA: the Hemispheric Bloc Temptation' by Jean Daudelin and Maureen Appel Molot of the North South Institute and Norman Patterson School for International Affairs. March 2000

iii. The summary of 'Inside the Fortress: What's Going on at the FTAA Negotiations' by Marc Lee of the Canadian Centre for Policy Alternatives. March 2001

Code of Ethics, Ministry of Labour, Nicaragua. February 1998

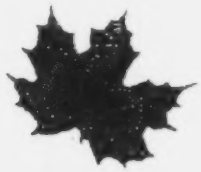
Reprinted with permission from **Women and the Maquila in Central America** by Lee Bensted. CoDevelopment Canada, Vancouver, BC. May 1999.

Table 8 The Code of Ethics

In a series of workshops and meetings, the women came up with seven main points they wanted to see included in such a code. The points were:

1. Employers must guarantee work to all workers, without discrimination on the basis of race, religion, age, political orientation, physical handicap or pregnancy.
2. All employers must guarantee job security to their workers, including those who are pregnant. (Those who are pregnant must be given the appropriate benefits).
3. Employers must offer a working environment that shows consideration and respect for workers, and must abstain from any type of physical or mental abuse, verbal abuse and anything else that might affect the dignity of workers.
4. Employers must create working conditions that guarantee physical integrity, health, hygiene and minimum risk of accidents, medical checks that include routine examinations, education and training in the areas of health, designed to reduce occupational risks; workplace standards related to hygiene, building construction, illumination, noise control and food quality; and periodic inspection of factories to ensure stated conditions are being met.
5. Employers must provide social security benefits.
6. Employers are obligated to guarantee their workers minimum wage and social security services.
7. All employers must respect the legal workday and provide overtime pay as is dictated by law.

* Articles 6 and 7 were added during the signing of the Code by the Nicaraguan Ministry of Labour in February 1998.



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NOTES FOR AN ADDRESS BY

THE HONOURABLE PIERRE PETTIGREW,

MINISTER FOR INTERNATIONAL TRADE,

TO THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND

INTERNATIONAL TRADE

ON

THE FREE TRADE AREA OF THE AMERICAS

OTTAWA, Ontario

June 14, 2000

Let me begin by stating that a key component of Canada's export success has been the network of international trade agreements that we have negotiated. These agreements -- NAFTA, for example -- have worked extremely well. And while we face real challenges as we negotiate and define new agreements such as the FTAA [Free Trade Area of the Americas], it is something to which the Canadian government is firmly committed.

Our recent response to this Committee's report on the FTAA, known as The Free Trade Area of the Americas: Towards a Hemispheric Agreement in the Canadian Interest, outlines what we aim to achieve in these negotiations.

The FTAA is a historic opportunity to unite 34 countries of the Americas into a free trade area of impressive proportions. The potential is considerable: it's a market with a combined population of over 800 million and a GDP of $17 trillion.

The FTAA is also a vital part of the Summit of the Americas process, the aim of which is to

promote greater economic, social and political development in our hemisphere. Canada's leadership in this process is undeniable: Quebec City will host the hemisphere's leaders at the Summit next April, and we hosted the FTAA Trade Ministers meeting in Toronto last November, the culmination of the crucial start-up phase of the negotiations that Canada chaired.

We place a priority on these negotiations because free trade is good for Canada. Quite simply, trade is first, foremost and always, about people: people finding rewards for their efforts, markets for their products and hope for their future. And we believe, free trade will benefit the people of our hemisphere as well.

For those who, for whatever reasons, oppose free trade and trade agreements, let me ask, why would we exclude others from the kind of prosperity we enjoy, built on trade and engagement with the global economy? Why condemn to isolation the others of this hemisphere who aspire to the same quality of life, range of choice and opportunity that we wish for ourselves? Why deny them the same paths that we ourselves have followed to prosperity?

And who would deny that Canada's success in harnessing the benefits of globalization has produced prosperity for Canadians. Our exports increased by more than 11 percent in 1999 -- reaching $410 billion. To put it into perspective, that's 43 percent of our entire GDP. And this growth has been taking place for some time. Ten years ago, our exports represented 25 percent of our GDP, so we've increased exports from 25 percent to 43 percent in one decade.

The payback of this volume of trade to Canada -- where one out of every three jobs depends on exports -- is clear. The 427 000 jobs that Canadians created last year was the highest number of net new jobs created since 1979 and can be attributed in large measure to our success in global markets. Our unemployment rate is now at around 6.6 percent, the lowest in a quarter of a century. In fact, most of the two million new jobs created since 1993 are related to our growth in trade.

Trade also contributes to the more intangible aspects of our national life: for example, enhancing our confidence as our companies succeed in tough international markets and contributing to a higher quality of life for Canadians and a greater range of choices for consumers.

In the continued pursuit of the benefits of trade, I am very pleased to say that, the Canadian government is able to express its broad agreement with this Committee's 29 recommendations on the positions and priorities Canada should take in the negotiations. Let me cover the most important points.

Market Access Priorities

Regarding market access, we will push for accelerated tariff reductions for products of export interest while taking into account domestic sensitivities. We will also continue to push for liberalization on agricultural products in keeping with our World Trade Organization [WTO] positions.

We also support improved rules for anti-dumping measures and disciplines on subsidies, especially agricultural export subsidies.

Other negotiating priorities include: a comprehensive government procurement agreement; an intellectual property agreement in line with international provisions; improved competition policy

rules; and where possible, discussion of provisions addressing non-tariff measures.

Canada's Objectives in the Areas of Investment, Services and Culture

On investment, we will support investment rules based on our past experiences with trade negotiations and the implementation of investment rules with other countries, including those of Latin America and the Caribbean. The countries of the Americas need and want the capital and opportunity that investment brings. They have a stake in ensuring that investment flows predictably throughout the region.

But I can assure you, as far as an investor-state dispute settlement mechanism, we are not advocating and will not seek the inclusion of such a mechanism in the FTAA, at the WTO or elsewhere.

Whatever we do in any future negotiations on investment in the FTAA, we will take into account our past experiences with investment rules.

I'll let you know we are continuing to work with our NAFTA partners to clarify key elements of that agreement's investment section, Chapter 11.

I would like to reaffirm our position on services, of particular importance to Canadians because it affects the health and education service sectors.

As I've stated before, public health and education systems are not on the table in any international trade negotiations. The Canadian government will maintain its right and ability to set and maintain the principles of our public health and education. It is that simple, and those who wish to pick away at this issue, to find threats to our values and our social system in every trade negotiation, are simply wrong.

On the issue of culture, we will discuss how best to pursue an international agreement on cultural diversity, while at the same time respecting international trade rules.

The Benefits of Trade

Beyond Canada's own objectives, an important overarching element of the FTAA negotiating process is helping the hemisphere's smaller economies realize the benefits of liberalized trade. We believe that all will realize important social and economic gains through the FTAA.

Many of the benefits are derived from the social dimensions of trade, something this Committee gave considerable attention to in its report.

I believe that in today's globalized world, social and economic agendas are inextricably interconnected and that government policies and institutions must recognize and respond to this reality.

I believe the FTAA will lead to economic growth and development in the hemisphere. This growth and development will in turn support larger objectives being pursued in the larger Summit of the Americas agenda, such as improving human rights, promoting democratic development and eradicating poverty.

For example, on issues such as the environment and labour rights, it has been shown that as countries achieve greater economic growth and increased standards of living, higher environmental and labour standards are realized.

However, the breadth and scope of what can be achieved on social issues through trade negotiations is limited. The central focus of the FTAA is hemispheric economic integration, achieved through a rules-based trade and investment liberalization system.

This in no way undermines the legitimacy of the concerns of environmental, labour and human rights groups. What it does mean is it that we must tackle these issues through institutions with clear expertise and mandates in these areas.

For instance, the recent Organization of American States meeting in Windsor served as an unmatched regional forum for high-level discussion on fundamental human rights and democratic development issues.

Civil Society Consultations

But Windsor also reminds us that there are many groups who say they speak for the people of the hemisphere, who claim to articulate their concerns and their aspirations better than their own democratically elected governments. To those groups I ask, to whom are you accountable? You have many legitimate views, but opposition for the sake of opposition is, for me, not productive. From Seattle to Washington to Windsor, we see many views that need careful thought. But we also see elements that merely wish to oppose, without careful thought for the costs that will be borne by the very people these groups claim to speak for.

For my part, the Canadian government represents the aspirations of the Canadian people, and we strive to secure a future for them that is prosperous and full of opportunity. Trade is a key part of our strategy. The governments of the hemisphere also want the same for their people. We cannot embark on a true regional integration, economic, social and political, if we cannot accommodate their legitimate desire to share in the wealth-generating benefits of trade.

I am confident, and the Canadian government is confident, that openly debating these issues will generate more hemispheric support for the FTAA. Only by engaging our citizens can we demonstrate the legitimacy of our goals and convince the doubters. But debate is what is needed, not blind opposition.

This FTAA Civil Society Committee allows for concerned individuals and groups to express their views in writing on the implications of trade, including related issues such as labour and environmental standards.

In Toronto last November, we held a successful first meeting between many of the hemisphere's trade ministers and civil society groups, an important development in an ongoing process of civil society consultations at the hemispheric level.

On the domestic front, we have made a concerted and ongoing effort to listen to and consult with Canadians through a number of avenues. These include:

- Sectoral Advisory Groups on International Trade [SAGIT];

- Regular consultations with provincial representatives;
- The Department of Foreign Affairs and International Trade's Web site;
- Ongoing, ad-hoc meetings with senior officials and stakeholders;
- Cross-Canada outreach tours; and
- Parliamentary consultation.

I believe the consultation process is crucial to sustaining the high level of support among Canadians for our international trade initiatives. As the Free Trade Area of the Americas negotiations move forward, this government is dedicated to continuing the consultation process to ensure that the voices of Canadians are heard and that our trade policy priorities and objectives reflect a careful and considered expression of the values, concerns and interests of Canadians.

Thank you.

POLICY
OPTIONS
POLITIQUES

Canada and the FTAA: The hemispheric bloc temptation

THE FREE TRADE AREA OF THE AMERICAS (FTAA) INITIATIVE MAY HAVE MADE SENSE IN THE EARLY 1990S, BEFORE IT WAS CLEAR THERE WOULD BE A WTO. BUT IT OFFERS ONLY MINOR ECONOMIC BENEFITS FOR CANADA; SUPPORT FOR IT IS LESS THAN ENTHUSIASTIC IN THE UNITED STATES, BRAZIL, AND MEXICO AND EVEN IN THE HEMISPHERE'S CORPORATE SECTORS; IT MAY WELL INCREASE INTER-BLOC TRADE TENSIONS THAT WOULD RESULT IN EVEN FURTHER CANADIAN DEPENDENCE ON THE US MARKET; AND IT PRESENTS YET ANOTHER SIGNIFICANT DEMAND ON OUR ALREADY-STRESSED TRADE NEGOTIATORS. SO WHY ARE WE SUCH GUNG-HO SUPPORTERS OF IT?

L'INSTAURATION D'UNE ZONE DE LIBRE-ÉCHANGE DES AMÉRIQUES POUVAIT AVOIR DU SENS AU DÉBUT DES ANNÉES 1990, AVANT QU'ON NE SACHE AVEC CERTITUDE QUE L'ORGANISATION MONDIALE DU COMMERCE (OMC) SERAIT CRÉÉE. MAIS ELLE NE PRÉSENTE POUR LE CANADA QUE DE MINCES AVANTAGES ÉCONOMIQUES AUX ÉTATS-UNIS, AU BRÉSIL, AU MEXIQUE ET MÊME DANS LES MILIEUX D'AFFAIRES DE L'HÉMISPHÈRE, CE PROJET NE RECUEILLE QU'UN APPUI MITIGÉ. SA RÉALISATION RISQUE D'ACCROÎTRE LES TENSIONS COMMERCIALES ENTRE LES BLOCS ÉCONOMIQUES ET, PAR LÀ, D'AUGMENTER ENCORE LA DÉPENDANCE DU CANADA ENVERS LE MARCHÉ ÉTATS-UNIEN. SANS COMPTER QUE CE LIBRE-ÉCHANGE ALOURDIT LA TÂCHE, DÉJÀ DIFFICILE, DE NOS NÉGOCIATEURS COMMERCIAUX ALORS, POURQUOI METTONS-NOUS TANT D'ARDEUR À LE DÉFENDRE ?

Jean Daudelin
and Maureen Appel Molot

With the failure of the Seattle meeting of the World Trade Organization (WTO) to effectively launch a new round of global trade negotiations, Canada might be tempted to see a Western Hemispheric bloc as a good substitute and a sound refuge in the face of rising global protectionism. In fact, Canada has been the principal promoter of the "FTAA," the Free Trade Area of the Americas, which the governments of the Americas are committed to establishing by 2005. And we have been the single most important driving force behind the process as it has evolved over the last five years, since the process was initiated at the Miami Summit of the Chiefs of States of the Americas in 1994. We have also been a leader in the formal negotiations on the agreement that began 18 months ago. Indeed, until recently we chaired them.

This paper examines the many rationales that have been proposed for the FTAA, as well as its prospects, and its potential implications for Canada. In brief, we argue that: The hemisphere is not a real option for Canada's trade strategy; an FTAA is not likely to serve the region well in the short or medium term, or to bring Canada closer to key hemisphere players; and finally, focused bilateral efforts rather than regional negotiations would better serve Canadian interests. In the current context, a "retreat" into the hemisphere risks increasing our trade dependence on the US, which at the moment is this country's biggest strategic concern. In our view, there is simply no substitute to muddling through at the global level.

According to Statistics Canada, in 1998 Canada exported $5.8 billion dollars worth of products to Latin America and the Caribbean (LAC), compared to $4.1 billion in 1994, for an average annual increase of 9 per cent. Imports from the region are more substantial, growing from $8 billion to $13 billion during the same period, an even more impressive 13 per cent per year. In relative terms, however, these numbers remain very small. Canada is a massive trader, and both its total exports and imports grew at a similar pace over the same period. As a result, the relative weight of LAC in Canada's trade has barely changed since NAFTA was signed and the FTAA process was launched. Exports to the region are stalled at below two per cent of total exports, while the region's share of our overall imports is barely increasing.

This sobering picture is not quite accurate, however, since the numbers quoted do not include trade in services.

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Moreover, since many Canadian products shipped to the United States eventually end up in other countries, our trade with the US tends to be overstated and our trade with other countries correspondingly understated. On the other hand, any reasonable correction factor — say 20 or even 30 per cent — would still leave the region a minor economic partner for Canada.

This impression is reinforced by a look at the evolution of investment since 1970. Canada's investment position in LAC has advanced at a healthy pace in recent years. Yet, despite significant growth since 1989 (22 per cent a year on average), the non-US Americas have not yet regained their 1970 share of Canada's global investment portfolio. Moreover, more than half of the stock of Canadian investments in the region is concentrated in a few Caribbean banking centres (namely, the Bahamas, Barbados and Bermuda). Leaving those countries aside, investments in the region represent just six per cent of Canada's foreign direct investment abroad — less than half its 1970 share. Again, care has to be taken with the data, the collection of which relies significantly on voluntary disclosure by investors. If anything, however, this causes an underestimate of the extent to which Canadian investment in the region is in the financial havens.

Beyond the trade and investment numbers, a deeper reality has been developing over the last 20 years: Canada is now more tightly integrated into the North American economy than ever before. This integration transcends trade relations and is in fact primarily based on investment strategies and industrial structures that consider North America as a single unit. The most important manifestation of this connection is the prominence of intra-firm exchanges in Canada-US-Mexico trade, particularly in the automobile industry. There are few indications that this North American economic unit is likely to expand south beyond Mexico; it will certainly not do so over the next decade. Canada is now part of a North American financial and industrial unit that includes the US and Mexico, but no one else. For better or worse, NAFTA has an economic basis that an FTAA utterly lacks.

The background is not complete without a look at Latin America's potential, since the FTAA promises "access to a market of 800 million people, with a combined GDP of $15 trillion." This image of massive size, which Canadian government documents use *ad nauseam*, is utterly misleading: The US accounts for almost 40 per cent of the hemisphere's population, and more than 75 per cent of its GDP. On their own, the three NAFTA countries have about half the hemisphere's population and more than 80 per cent of its GDP. What the FTAA would add to NAFTA is closer to 400 million people and $2.4 trillion of GDP. That's big, but hardly what is advertised. Moreover, half the new market is made up of Brazil — the country least enamoured of an FTAA — and more than 70 per cent is Mercosur, the trade group Brazil leads.

President George Bush proposed a free trade area from Alaska to Tierra del Fuego at the end of the 1980s, a time marked by serious competitive tensions among the world's largest economic powers and a deadlock in the negotiations for global trade liberalization. The original logic of the modern FTAA was that of a Fortress America to oppose Fortresses Asia and Europe. The context in which this original proposal made sense was profoundly altered by the successful conclusion of the Uruguay Round in 1993. The problems in Seattle notwithstanding, the establishment of the WTO has put to rest the prospect of the division of the world into three warring trade blocs. In this new context, there is really very little need for further liberalization at the hemispheric level — the best evidence of which is the relative lack of interest in free trade in the United States, and in most of the hemisphere's countries and even corporate sectors.

For Latin America and the Caribbean, interest would grow markedly if the United States were willing to open up its huge market. Free access to US consumers, especially for agricultural products, is the ultimate prize and, from LAC's standpoint, the most important reason to play the hemispheric trade game at all. The problem is that, with the US trade deficit running at around $300 billion a year, there seems to be little stomach in Washington for further liberalization

Access to the US market is also at the root of resistance to the project from the two most important Latin American countries, Mexico and Brazil. With NAFTA, Mexico got guaranteed access to the US market, and it paid dearly for it, with a massive restructuring of its economy and a liberalization of financial markets that left it powerless to resist an assault on its currency during 1994's peso crisis. From Mexico's perspective, an FTAA would mean sharing this prize, without getting much in return. Mexico already has its own free trade agreements with most of Central and Latin America and it has just concluded an agreement with the European Union. No wonder its government has not been enthusiastic about the FTAA.

For its part, Brazil does not have free access to the US market. This lack of access, particularly for a few key agricultural products, is something it complains loudly about. But the rules of the FTAA game are not advantageous to Brazil. The US holds the trump card of market access. A credible US commitment to play that card would likely bring most countries on board. Those with special grievances, such as Brazil, would be isolated, but even so would have a strong incentive to sign on. Hence Brazil's strategy is to slow down the

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FTAA process as much as possible while it builds a negotiating coalition centred on Mercosur. It is currently working hard to extend Mercosur — which includes Argentina, Paraguay, Uruguay and associate members Bolivia and Chile. Since 1993 it has promoted a South American Free Trade Area (SAFTA) that, it argues, would provide the political clout for a more balanced FTAA negotiation. In the meantime, Brazil's government has been able to secure the role of co-chair (with the US) of the final, crucial phase of the FTAA negotiations, scheduled for 2004.

Brazil's fight against the inclusion in the FTAA of labour and environmental standards, which it sees as non-tariff barriers, complements its go-slow strategy. Of course, if these issues are eventually excluded, FTAA advocates, particularly in the US and Canada, will have much more difficulty selling the agreement to unions and the environmental lobby. President Clinton's reference to Brazilian labour practices in his remarks in Seattle provoked anger in a country that has liberalized considerably in recent years, and almost certainly reinforced Brazil's opposition to the FTAA.

If the FTAA does come to be, and global talks stall in the longer term, or (worse) there is a rise in trade tensions between the United States and the EU, this confrontation of fortresses would leave Canada even more North-Americanized than it is now.

Since joining the NAFTA process in 1990, Canada has been strongly committed to expanding the liberalized North American trade regime to the entire hemisphere. We successfully pushed for an accession clause in the NAFTA treaty. We tried hard to get Chile on board and, when Congress refused the Clinton administration fast-track authority for Chilean accession, we signed our own NAFTA-grade bilateral agreement with the Chileans. And we have been the most consistent and energetic supporter of the FTAA process, both in its preparatory phase (1994–1998) and since the formal launch of negotiations at the April 1998 Santiago Summit of the Americas.

There appear to be five overlapping rationales for this Canadian stance.

- *The all-out liberalization strategy.* This strategy assumes that Canada can only benefit from the extension of trade liberalization — which should therefore be pursued wherever, and with whomever, it can advance most quickly. If regional agreements are easier to negotiate and cover a wider range of topics than global ones — if, in short, the Americas can liberalize faster than the rest of the world — Canada should cash in on that potential.
- *The proactive diversification strategy.* This is a throwback to the old Canadian dream of greater diversification in trading partners. After NAFTA, trade dependence on the US is higher than ever, which makes Canada's economy acutely vulnerable to the policies and market whims of its southern neighbour. An FTAA — a Third Option in a new guise — may deliver at least some trade diversification.
- *The continental bloc strategy.* This rationale emphasizes the two basic advantages of regional blocs in a global trade game. If the global process were ever again paralyzed, as it was in the 1980s, the spectre of a powerful Western Hemispheric free trade area could nudge the rest of the world, in particular the Europeans and Japanese, into showing more flexibility. Moreover, if there were ever a global trade war or even just an inter-bloc one, a big regional bloc would offer a large enough market to "retreat to."
- *The defensive anti hub-and-spoke strategy.* This rationale for an FTAA is more strictly defensive, and derives directly from Canada's NAFTA experience. After signing the *Canada-US Free Trade Agreement*, Canada faced the possibility of a "hub-and-spoke" trade structure in North America. The US, which was already negotiating with Mexico, stood to become the only one of the three countries with access to all three markets and, consequently, the most appealing one for investors. Motivated mainly by this defensive concern, Canada requested, and was granted, a seat at the NAFTA negotiating table. A similar danger could reemerge on a hemispheric scale if the US were to negotiate bilateral agreements with its hemispheric partners. What better way to avoid this than to take the lead in a multilateral FTAA?
- *The building-a-reputation-in-Latin America strategy.* This perspective has its roots in Canada's late discovery of its own neighbourhood: We joined the OAS only a decade ago. Having committed ourselves to the hemisphere, we are anxious to become a significant player and to support the process of liberalization and democratization currently underway. Our hemispheric interlocutors see Canada as less threatening than the US, as an honest broker and helpful fixer.

These various justifications for the FTAA require careful scrutiny. To begin with, there are obvious tensions amongst the liberalization, diversification and continental bloc strategies. If the FTAA does come to be, and global talks stall in the longer term, or (worse) there is a rise in trade tensions between the United States and the EU, this confrontation of fortresses would leave Canada even more North-Americanized than it is now. Unlike Mexico, Canada has no serious preferential access to European markets, a reality the current negotiations with the EFTA countries will not change. Canada therefore should make every effort to ensure that the US or any other bloc leaders never play the trade-bloc card. Compared to the potentially devastating implications of such an all-out trade war, the dangers of a US-centred hub and spoke structure in the hemisphere are minor.

Second, it is by no means clear that at this juncture the countries of South and Central America are able

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economically or politically to absorb further liberalization shocks. All over the continent, economic and political tensions are lessening the capacity for and interest in further liberalization, whether at the hemispheric or global level. Moreover, few of the governments in the hemisphere are receptive to the American and Canadian demands that civil society groups formally participate in the FTAA process. Events in Seattle can only strengthen this view.

Third, it is not obvious that, in the short to medium term at least, Canada has much to gain economically from an FTAA, especially given the problems many members of the region are currently experiencing and likely will continue to experience if they liberalize further. This appears to be recognized by Canadian business, which remains focused on the US and whose once-considerable enthusiasm for the FTAA has declined markedly. For their part, most civil society organizations are simply opposed to the project and wish to participate only to limit its liberalizing impact.

Fourth, countering a hypothetical US-centred hub-and-spoke trade strategy only calls for Canadian participation in the FTAA negotiations. It does not require taking the lead, as Canada has done. Moreover, participation offers no guarantee against hub-and-spoke dangers. Mexico has in fact been setting up just such a hub-and-spoke system through bilateral free trade agreements with Central America, Chile and now Europe; meanwhile Canada has been busy in a FTAA process in which, partly because of Mexico's dilatory approach to the negotiations, nothing has been happening.

Fifth, by pushing a project so clearly focused on access to the US market, Canada runs the risk of losing some of its own identity as an independent hemispheric player. More importantly, we risk alienating reluctant hemispheric participants, Brazil in particular, without having much to offer to reestablish a sound relationship. Since for us the only really big prize in the hemisphere is Brazil, pushing an FTAA that Brazilians see as a threat does not seem an especially wise way to build a friendlier relationship. As long as the Canada-Brazil confrontation over aircraft subsidies continues at the WTO, it might be wise to avoid additional sources of tension.

Finally there is the issue of negotiating capacity, even for a country ostensibly as well endowed with human and financial resources as Canada. The reality is that our negotiators are stretched very thin. We have just surrendered the gavel on the FTAA, having held it for 18 months. By all accounts our leadership was impressive; indeed, Canadian efforts are credited with keeping the FTAA process alive. Though we no longer chair the overall process, in the next stage of the negotiations we will chair the government procurement group — this in addition to participating in various working groups, some of which are very active. In the meantime, the WTO "Millennium Round" is off to the worst possible start; Canada is making slow progress toward an agreement with the EFTA countries; NAFTA working groups continue their work, as do NAFTA and WTO dispute settlement panels. The cumulative commitment of human resources to these various activities is large. Given this list, and considering the complexity of the WTO agenda, as well as our need to pay more attention to our relationship with the United States, active participation and investment in the FTAA hardly seems the best use of the energy and talents of our highly dedicated but severely stretched trade negotiators.

The case for the FTAA, and especially for strong Canadian support for it, is weak. A preferential free trade agreement is not obviously an unmitigated benefit for the hemisphere, nor the best instrument for boosting Canadian trade and investment in the region from their currently anemic levels. Finally, it is even possible that an FTAA would worsen global trade tensions.

It could be argued that because little is at stake, there is therefore little to lose. That is not the case at all. Rather than continue to expend effort all out of proportion to the potential benefits of the FTAA game, a more sensible policy would to take stock of the massive drain on our foreign policy capacity over the last decade, and to settle on a few choices that would better focus our policy efforts, targeting areas where, for good or ill, significant consequences are at stake for Canadians. The most important priority is surely the WTO's fledgling global trade architecture. A good start in the hemisphere could be the establishment of a really sound relationship with Brazil. Involvement in the FTAA could continue, but could be scaled down to little more than a monitoring presence at the meetings to see what progress is made and to ensure that regional efforts do not damage the global process.

From a political standpoint, such a disengagement would make perfect sense, since the government's enthusiasm for the FTAA is strange at best: The business sector is not particularly interested; unions, environmentalists and nationalists are opposed; the US is not keen; our place in hemispheric circles does not depend on it; Mexico and Brazil, the two most important Latin American countries, are reluctant participants; and success might well increase trade tensions that would consolidate Canada's dependence on the US market.

Frankly, what is the point?

By pushing a project so clearly focused on access to the US market, Canada runs the risk of losing some of its own identity as an independent hemispheric player. More importantly, we risk alienating reluctant hemispheric participants, Brazil in particular.

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FINAL DRAFT—EMBARGOED UNTIL APRIL 2, 2001.

Inside the Fortress: What's Going on at the FTAA Negotiations

Marc Lee
Canadian Centre for Policy Alternatives—BC Office
March 2001

Summary

When leaders from 34 nations in the Americas (Cuba is not invited) meet in Quebec City in April, it will be more of a photo-op than a serious negotiation. But this *Summit of the Americas* will provide a high level endorsement of the progress so far towards a Free Trade Area of the Americas, and will provide a push towards completing the deal.

The Summit will also be attended by thousands of protesters that oppose this bold new attempt to push the envelope of trade liberalization. Quebec will likely set a new high water mark for irony when, surrounded by protestors, insulated by the fortified walls of the old town and guarded by a massive police presence, leaders will make speeches about the benefits of trade, and will reaffirm their commitment to democracy.

Quebec will actually be the third Summit of the Americas. The Free Trade Area of the Americas (FTAA) was launched at the first Summit in Miami, in December 1994. But the process was delayed due to the "peso crisis" which hit Mexico shortly after, and spilled over onto the rest of Latin America during 1995. It was not until the dust settled that the FTAA negotiations were officially launched at the second Summit of the Americas in Santiago, Chile, in April 1998.

In the three years since Santiago, trade negotiators have been working away in nine negotiating groups, overseen by a trade negotiations committee (with the fitting acronym of TNC). The TNC has compiled a draft text that will be given the green light in Quebec and that will form the basis of the "hardball" negotiations that will attempt to pull together a final deal by the end of 2004.

The FTAA process has been gaining momentum since the collapse of the Seattle WTO Ministerial in December 1999, and the failure to launch a new round of multilateral trade talks. The business community has been well represented through the Hemispheric Business Forum, which meets to develop recommendations for Trade Ministers. Canada, through the ideological zeal of our trade negotiators, has been a lead country in keeping the process moving forward.

The Strategic Context of the Americas

In Latin America, globalization is nothing new. For the past two decades, many Latin American countries have been saddled with high levels of foreign debt. In order to gain access to the financial and economic system of the North, they have required the seal of approval of the International Monetary Fund. As a condition of receiving this approval, these countries have had to implement numerous economic reforms known as Structural Adjustment Programs (SAPs).

IMF policies have required that countries:

- Reduce the public sector by cutting back on public services like health care and education, privatizing state enterprises, and deregulating the economy;
- Reorient the domestic economy towards export production; and,
- Maintain high interest rates in order to control inflation and stimulate the confidence of foreign investors.

As a result, almost anyone on the street can give you an earful about the impact of the IMF. However, trade agreements have not been on the public radar, something that Latin American activists are in the process of changing. While the IMF has been the battering ram that has forcibly liberalized Latin America, trade agreements like the WTO and proposed FTAA serve to lock this economic model in place. Unfortunately, this model is based more on faith than hard evidence.

The legacy of SAPs in Latin America is that, having geared their economies to export, many countries have become dependent on the US market. Some see enhanced access to the US as the main outcome of the negotiations. The US knows this and will try to trade off market access for concessions in intellectual property, investment and services.

In the FTAA negotiations, as well as at the WTO, Latin Americans have been grappling with how to deal with US power. One response has been to develop regional trade blocs. On one hand, this merely mimics the globalization process on a smaller scale; on the other hand, it offers the opportunity to strengthen economic capabilities through a larger regional market, while enhancing bargaining power at the negotiating table.

Perhaps the most dynamic regional bloc is Mercosur, the Common Market of the Southern Cone, which includes Brazil, Argentina, Uruguay and Paraguay. Mercosur countries are less reliant on the US market, trading more with Europe. Last Fall, Mercosur agreed to join with the Andean Community (representing most of the remaining South American countries) into a South American Free Trade Agreement by January 2002. While this raises important issues, many activists in South America see greater potential for building on regional agreements as an alternative project to casting their lot with an FTAA dominated by the US.

While the US is the biggest power in the negotiations, completing an FTAA deal depends a great deal on Brazil, the largest Latin American economy. Brazil has a lot to lose in the negotiations and has been lukewarm to the FTAA, instead favouring Mercosur as an alternative. Trade tensions between Brazil and Canada include ongoing skirmishes of jet aircraft subsidies, and more recently, accusations over mad cow disease in Brazilian cattle. Brazil has also had major disagreements with the US over intellectual property.

Other factors could affect the FTAA negotiations as well. The US "Plan Colombia" has upset many people in Latin America, and could undermine support for a deal. Political instability is also a factor in Bolivia, Peru and Ecuador. And Venezuela, under President Hugo Chavez, has been a thorn in the US side. Finally, trade tensions between Canada and the US could heat up, with the end of the Softwood Lumber Agreement, and threats from the US to impose punitive duties on Canadian lumber exports.

The FTAA Negotiations

The two most relevant agreements for understanding the FTAA negotiations are the WTO and NAFTA. With few exceptions, the NAFTA goes deeper in terms of liberalization than the WTO. Indeed, the NAFTA text has been highly influential in entrenching similar language in the Agreements of the World Trade Organization.

The WTO permits member countries to enter regional economic integration agreements, provided that these regional pacts have "substantial sectoral coverage" and liberalize further than the WTO agreements. What this means for the FTAA is that it must be "WTO plus," i.e. the sections of the agreement must at least meet the WTO benchmarks for liberalization. Like the NAFTA, the FTAA may also cover areas not currently in (or not fully covered by) the WTO, such as common rules on investment, government procurement and competition policy.

From the perspective of Canadian and US negotiators, a NAFTA-like agreement is the objective for the FTAA. The US would like an agreement that makes it the hub economy to everyone else's spokes. The US also views the FTAA negotiations as part of a broader strategic context with regard to influencing negotiations in other arenas that involve big players such as the EU and Japan. The US can use positions agreed to in the FTAA to leverage gains on a multilateral basis at the WTO. In this way, bilateral, regional and global trade initiatives reinforce one another.

The tenor of the FTAA negotiations may also be affected if a new round of WTO negotiations is successfully launched, and if so, by how expansive the round will be. The next WTO Ministerial is now scheduled for November 2001 in the desert kingdom of Qatar, far away from pesky protesters.

Currently, the FTAA negotiations are caught up in procedural issues. Some countries, like the US and Chile, want to accelerate the timeline for completion of the deal, but this is being resisted by many South American and Caribbean countries. There are disputes over when the "real negotiations" will start, with some countries favouring a start date as late as June 2002. And negotiators are still coming to grips with issues around how the negotiating process will be structured.

A potential deal-breaker is the ability of new US President Bush to get Fast Track negotiating authority from Congress. Fast Track means that deals negotiated by the president are subject to a straight yes or no vote in Congress. Without Fast Track, domestic political considerations would mean that Congress would pick apart a deal and demand additional concessions before approval. Other countries would effectively need to negotiate twice with the US, something no one is inclined to do.

Nonetheless, a draft "bracketed text" has been compiled (brackets indicate areas of disagreement). This is a compilation of the many different proposals that have been put forward to date. This text has not been publicly released. Both Canada and the US have posted information about their positions on the web, although their usefulness is questionable. Despite taking a leadership role in the FTAA process, Canada has not submitted official positions (or has not made them public) on services, investment and dispute settlement—the most controversial areas of the FTAA.

Perhaps the biggest danger in the FTAA is an expansion of the NAFTA investor-state dispute settlement process, which enables foreign corporations to directly sue national governments through a "kangaroo court" that bypasses national judicial systems. Claims can be made for any action by government that is deemed to "expropriate" the corporation's current or future profits. Numerous cases to date under the NAFTA have targetted Canadian laws and regulations in the public interest. Trade Minister Pierre Pettigrew has repeatedly stated that he will not sign onto a NAFTA-style investor-state mechanism, but his careful choice of words suggests that he and Canada's trade bureaucrats still support investor-state in principle.

The FTAA Services negotiations pose challenges to public services and domestic regulation. The issues in this area parallel the WTO's GATS negotiations, and will be influenced by the "progress" made there. The US is pushing for a "top-down" formulation, meaning all sectors are covered except for those explicitly negotiated off the table. Other countries are resisting this approach, but it is possible that the FTAA services chapter could go much deeper than the GATS.

There are other areas of importance to Canadians that have not been addressed by Canadian negotiators. In Agriculture, the US is targetting state trading enterprises, like the Canadian Wheat Board, and supply management programs in dairy, eggs and poultry. Both are institutional structures designed to ensure stable incomes for farmers. Yet, in spite of the crisis on Canadian farms in recent years, Canada does not even mention these in its public negotiating positions.

In the area of Competition Policy, the US is recommending rules that attack the viability of Crown corporations. Again, Canada is silent on this issue.

Also on the table are proposals to open up government procurement practices across the hemisphere, new rules to strengthen intellectual property protection, and a new forum for the settlement of trade disputes.

At this point in time, it is impossible to know what the full implications of a completed FTAA would be. But the broad range of issues being discussed, and the failure of Canadian negotiators to look beyond "export opportunities for Canadian companies," is definitely cause for concern.

The bottom line is that the FTAA embodies the worst aspects of the WTO and the NAFTA. It deepens a globalization process that is fundamentally about enhancing the rights of corporations, while disarming governments and citizens. The FTAA is anti-democratic, and should be rejected by the people of the hemisphere.

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